

## **Historic, Archive Document**

Do not assume content reflects current scientific knowledge, policies, or practices.



1.9  
EC-152 Agl

★ DEC 23 1936 ★  
U. S. Department of Agriculture

UNITED STATES DEPARTMENT OF AGRICULTURE  
Bureau of Agricultural Economics  
Washington

December 19, 1936.

AGRICULTURAL INCOME FROM PRODUCTION IN 1936

The gross income from farm production including agricultural conservation and benefit payments for 1936 is tentatively estimated at \$9,530,000,000 compared with \$8,508,000,000 in 1935 and \$5,337,000,000 in 1932. Cash income from 1936 production is estimated to reach approximately \$8,100,000,000 compared with \$7,201,000,000 in 1935 and \$4,377,000,000 in 1932. After deducting from the gross income the estimated 1936 total production expenditures of about \$4,230,000,000 for goods used in production, wages, interest, taxes and rent, as well as an allowance for depreciation of buildings and equipment, the 1936 farm income available for operators' labor, capital and management will reach about \$5,300,000,000. This exceeds the 1935 available income of \$4,538,000,000 by 17 percent and is only 7 percent less than the 1929 income of \$5,669,000,000. If the difference in the level of prices paid by farmers for commodities used for family living is taken into account, the purchasing power of the 1936 income available to farm operators is found to exceed that of the 1929 income and to be higher than that of any of the past 13 years for which farm income analyses are available.

The above preliminary estimates of income from farm production are made annually at this time of the year and are based upon the production and the season's average farm prices as published in the December Crop Report, and the usual relationship between production and sales of crops. The estimated income from livestock and livestock products is based upon marketings and prices during the first 11 months of the current calendar year plus an allowance for the value of these products consumed in the farm home during the year. The cash income from 1936 farm production should not be confused with the 1936 cash income from farm marketings published elsewhere. The latter represents the calendar year's cash return to farmers from the sale of their products irrespective of when the products sold were actually produced. Cash income from farm production, on the other hand, indicates the cash value at prices prevailing in the current crop marketing year of that portion of the 1936 agricultural output to be sold by farmers irrespective of when the final sales will actually be made.

Table 1.-Gross income from farm production and Government payments by groups of commodities, 1934, 1935, and 1936

Source of income	Gross income from production			Government payments 1/			Gross income and Government payments		
	1934	1935	1936	1934	1935	1936	1934	1935	1936
	Mil. dolls.	Mil. dolls.	Mil. dolls.	Mil. dolls.	Mil. dolls.	Mil. dolls.	Mil. dolls.	Mil. dolls.	Mil. dolls.
Crops:									
Grains .....	546	745	825	213	236		759	981	825
Fruits and nuts ..	451	507	490	---	4		451	511	490
Vegetables .....	642	772	880	---	---		642	772	880
Sugar crops .....	62	76	85	28	15		90	91	85
Cotton and cottonseed .....	707	698	915	115	<u>2/</u> 163		822	861	915
Tobacco .....	225	237	250	36	13		261	250	250
Other crops .....	344	390	425	---	---		344	390	425
Total crops .....	2,977	3,425	3,870	392	431		3,369	3,856	3,870
Livestock and livestock products:									
Meat animals and wool .....	1,535	1,984	2,400	203	67		1,738	2,051	2,400
Poultry and eggs ..	664	884	890	---	---		664	884	890
Dairy products ...	1,478	1,681	1,850	---	---		1,478	1,681	1,850
Other .....	27	36	40	---	---		27	36	40
Total livestock ..	3,704	4,585	5,180	203	67		3,907	4,652	5,180
Total crops and livestock .....	6,681	8,010	9,050	595	498	<u>3/</u> 480	7,276	8,508	<u>3/</u> 9,530

1/ In continental United States.

2/ Includes \$39,000,000 cotton price adjustment payments.

3/ Includes agricultural conservation payments and rental and benefit payments on 1936 winter wheat crop.



Major branches of agricultural production participated in higher gross income.

The 13 percent increase in the 1936 gross income over 1935, excluding government payments, has reflected the substantial gain recorded in nearly all major groups of farm products (table 1). Both the gross income from crops alone, and from livestock and livestock products, excluding benefit payments, have each increased by 13 percent over 1935. Income from cotton and cottonseed and from meat animals showed the largest relative increases over 1935, while tobacco and poultry products showed only minor gains. Fruits and nuts were the only commodity group to show a smaller gross income this year than last, chiefly because of the small apple crop this year. In all other commodity groups the increases in gross income were fairly uniform.

In general, the increases in gross income from 1935 to 1936 is due more to a higher level of farm prices, since the total volume of 1936 production (table 2) was only 3 percent larger than in 1935. Crop production was smaller than in 1935, but was considerably larger than in 1934. The smaller 1936 crop output was due chiefly to the curtailed production of grains, apples, potatoes and tobacco. Prices of all crops for the first 5 months of the current marketing year averaged 14 percent higher than a year ago, and more than offset the smaller production. Prices of livestock and livestock products averaged 6 percent higher for the first 11 months of 1936 than for the same period of 1935. In addition, the volume of livestock supplies marketed in 1936 was considerably higher than in 1935. This was particularly true in the case of hogs and cattle the marketings of which a year ago were severely reduced following the liquidation caused by the 1934 drought. While some of the increase in 1936 marketed supplies of meat animals was due to the forced movement of livestock from this year's drought area, much of it was due to the larger 1936 spring pig crop and its earlier movement to market.

Production expenditures increased with higher gross income.

Total production expenses of farms in 1936, including the cost of commodities used up currently (such as feed, fertilizer, containers, gasoline, etc.) and expenses for wages to hired labor, interest and taxes payable on the farm property used in production, rent to non-farmer landlords, and depreciation of buildings and equipment used in production, amounted to about \$4,230,000,000 compared with \$3,970,000,000 in 1935. The increase in farmers' expenses for production from 1935 to 1936 was greater than in any year since 1933, the low point in farmer expenditures. Total expenditures, however, were still only about two-thirds as large as in 1929. Expenditures for all of the principal items used in production in 1936 were considerably lower than in 1929, but the greatest decrease was in wages to hired labor, which were only a little more than half as large as in 1929. The interest and taxes chargeable to production were also considerably lower in 1936 than in 1929.

Table 2.- Index numbers of the volume of agricultural production, for sale or for consumption in the farm home, 1919-36 <sup>1/</sup>  
(1924-1929=100)

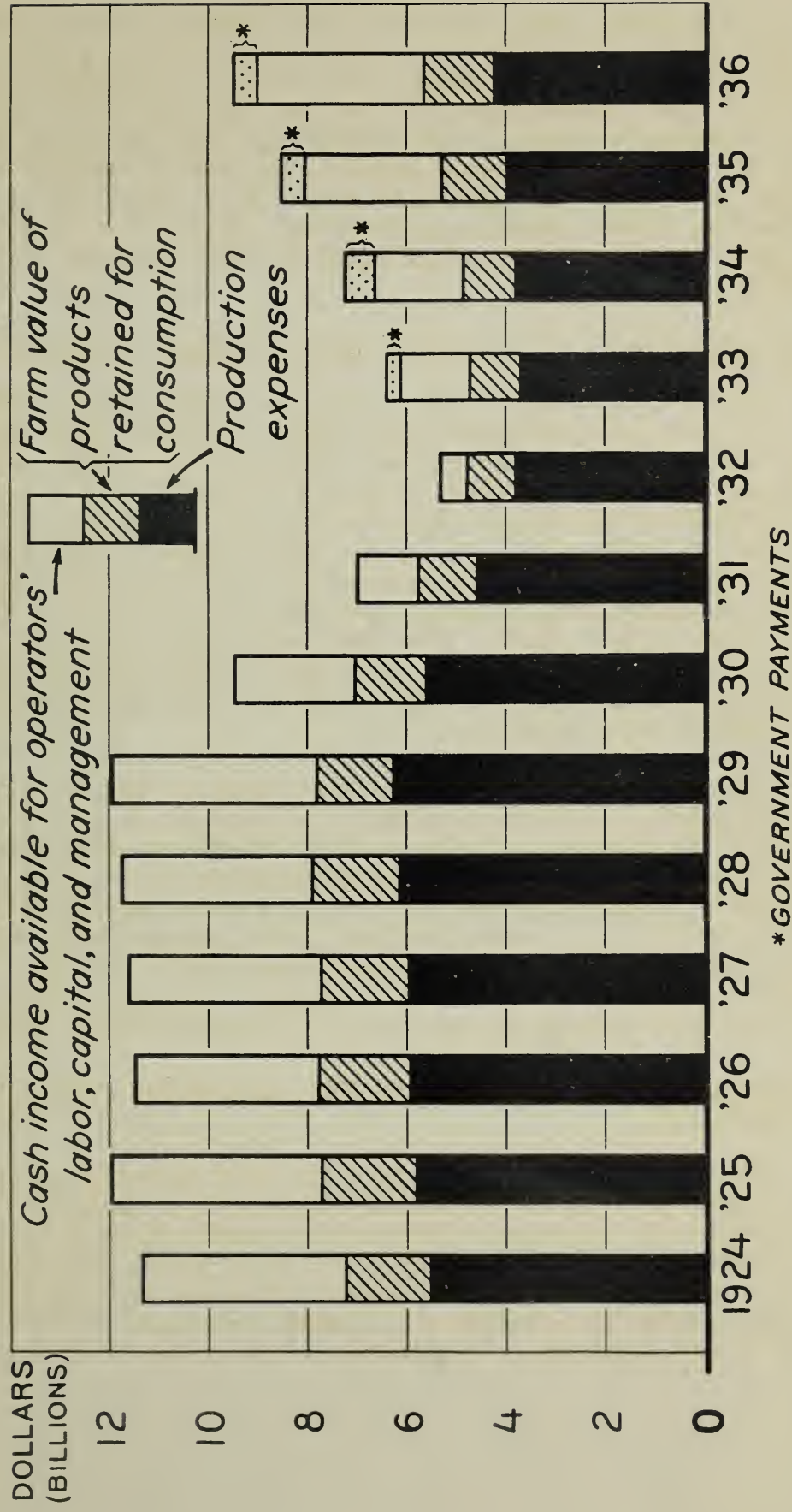
Year	Grains	vege- tables	crops	cotton seed	crops	animals	pro- ducts	Poultry	livestock	Total
1919	104	84	58	76	89	98	78	74	86	87
1920	117	100	70	83	101	91	77	74	83	91
1921	102	75	61	53	77	92	83	85	87	83
1922	100	108	81	65	89	102	87	88	94	92
1923	100	103	79	67	90	107	91	98	99	95
1924	102	96	91	91	96	102	94	91	97	97
1925	98	90	96	107	99	97	96	94	96	97
1926	96	109	93	120	106	93	99	99	98	102
1927	103	94	105	87	95	101	102	105	102	99
1928	108	117	102	97	106	101	103	106	103	104
1929	93	94	113	99	97	101	106	106	104	101
1930	85	106	113	92	95	101	107	109	105	101
1931	89	115	109	112	104	107	110	109	109	107
1932	85	101	113	86	90	106	110	105	107	100
1933	61	99	105	86	82	108	110	106	109	97
1934	44	111	110	64	70	117	110	102	112	94
1935	71	115	134	71	86	86	110	99	98	92
1936 <sup>2/</sup>	55	101	141	83	81	103	110	102	106	95

<sup>1/</sup> These index numbers are based on estimates of production of farm products for sale or for consumption in the farm home. Products fed to livestock, used for seed or in other forms of production are not included. Calendar year production of livestock and livestock products is compared with crop production of the same year. Each group index as well as the total is obtained by multiplying the yearly quantities by a 1924-29 average farm price received by producers for each of the commodities, and the sum of these yearly values at average prices, divided by the corresponding average sum for the period 1924-29 taken as 100. The commodities included in constructing the index contributed about 93 percent of the gross income from agricultural production during the years 1924-29. The commodities included in each group are: Grains - wheat, corn, oats, barley, rye, buckwheat, flaxseed, rice grain sorghum; fruits and vegetables - grapes, apples, apricots, peaches, pears, cranberries, figs, grapefruit, oranges, lemons, olives, potatoes, sweetpotatoes, dry edible beans; truck crops - asparagus, snap beans, beets, cabbage, cantaloups, carrots, cauliflower, celery, cucumbers, eggplant, lettuce, onions, peas, peppers, spinach, strawberries, tomatoes, watermelons; cotton and cottonseed; all crops include tobacco and hay in addition to all previous items; meat animals - cattle, calves, sheep, lambs, hogs; dairy products - milk total production less milk fed to calves; poultry products - chickens and eggs; all livestock and livestock products include wool in addition to the livestock and livestock products mentioned; the total index is the combined index of all crops and all livestock and livestock products.

<sup>2/</sup> Preliminary.



# Distribution of Gross Income from Farm Production, 1924 to Date



Preliminary indications are that farmers' expenditures for machinery, automobiles, farm buildings and repairs were somewhat higher than the depreciation on these items, for the first time since 1929. Because of these larger expenditures for capital equipment, the total cash outlay of farmers, including expenditures for capital goods, wages to hired labor, and interest and taxes payable, climbed to approximately \$3,625,000,000 compared with \$3,332,000,000 last year. Cash available to agriculture as an industry, after deducting production expenses and outlays for capital equipment, amounted to \$4,475,000,000 in 1936 compared with \$3,869,000,000 in 1935.

Income available to farm operator only 7 percent less than in 1929

Production expenditures of farmers chargeable to 1936 operations, as in the past several years, have again increased less than the gain in gross income. While gross income, including government payments, increased 12 percent from 1935 to 1936, expenses increased only 6 percent. The actual position of the farmer has therefore improved more during the past year than is indicated by the gross income alone. The income available to farm operators in 1936 as returns for their labor and capital and management of \$5,300,000,000 was 3 1/2 times as large as in 1932 and only 7 percent less than in 1929. The 1936 cash income available for operators' labor, capital and management, as shown on the chart on the reverse side of this page, was \$3,870,000,000, compared with \$3,231,000,000 in 1935 and \$4,145,000,000 in 1929.

Prices paid by farmers for goods used in family living were only slightly lower in 1936 than in 1935 but were 22 percent lower than in 1929. If the income available to farm operators after deducting production expenses is adjusted for the differences in the price level of goods purchased by farmers for family living, a rough approximation of the purchasing power of the income available to farm operators for their labor, capital and management is possible. Thus, while the 1936 available income was only 93 percent of the 1929 figure, the exchange value of the 1936 income was the highest for the last 13 years for which data are available.

Government payments to farmers on 1936 agricultural programs estimated at \$480,000,000

Present indications are that the 1936 payments to farmers under the Conservation program and as rental and benefit payments on the 1936 winter wheat crop will approximate \$480,000,000 compared with the 1935 rental and benefit payments of \$498,000,000. This year's government payments made up 9 percent of the gross income available to farm operators after deducting production expenses. In 1935 government payments amounted to 11 percent of the income available.